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CENTRAL INTELLIGENCE BULLETIN



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9 February 1959

DAILY BRIEF

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OK
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Geneva talks; Soviet pressure on the United States and Britain for an unequivocal response to the USSR's demands for a permanent test-cessation agreement suggests that Moscow is preparing the record in anticipation of an early break off. The Soviet delegate said on 6 February that the talks are deadlocked and warned that the delegates may part "in a few days" without being able to submit reports to their governments because the Western powers have failed to present their full position. [redacted]

OK
USSR - Communist China: Premiers Khrushchev and Chou En-lai on 7 February signed an agreement under which the Soviet Union will supply China with 78 heavy industrial enterprises worth five billion rubles (\$1.25 billion at the official rate), according to a press report. The Chinese will pay for these projects with commodity exports, just as they are paying for at least 156 "aid" projects the Soviet Union is already helping them build. Although considerations of military aid and political support are cause enough for the recent Chinese backdown on ideological claims, Moscow may have used the economic-assistance issue as another lever to hasten Peiping's retreat. [redacted]

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OK
Yugoslavia-USSR: Tito's recent extension of his impending visit to the UAR later this month and the inclusion of Greece in his itinerary will probably cause a further intensification of his current dispute with the bloc. He probably will be in Damascus on 21 February for the celebration of the first anniversary of the founding of the UAR. A display of unity between Tito and Nasir on this occasion will strengthen Moscow's belief that Tito is promoting current differences between Cairo and Moscow. The USSR also is likely to be concerned about possible discussions during the Yugoslav leader's visit to Athens on ways to strengthen the Balkan Pact.

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No
USSR-India: {The previously postponed visit of Soviet President Voroshilov to India has been announced by Moscow for late February. The trip apparently will not include a visit to Nepal returning King Mahendra's June 1958 visit to the USSR, despite reported recent Soviet pressure on the Nepal Government for such a visit. While the Soviet head of state's visit to India will be largely for ceremonial purposes, the USSR will probably attempt to use the visit to reap propaganda gains from Soviet aid programs such as the Bhilai steel plant, which was formally opened on 4 February. }

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No
Iran-USSR: {Iranian Court Minister Ala has advised Ambassador Wailes that the Shah, who is also informing the British, now has decided to sign the bilateral defense agreement with the US. Ala also stated that the Shah had seen a Soviet delegation and that the USSR had agreed to proceed with a nonaggression pact on Iran's original terms, provided Iran did not sign the US agreement. These terms reportedly provide that the Soviet Union cease hostile propaganda against Iran and that Iran not permit foreign bases on its territory. According to Ala, the Shah told the Soviet delegation he would consider their offer. The Shah feels the Soviet Union would not go ahead with the pact if Iran signed the US agreement, but Ala indicated that Iran would like to conclude both agreements. Ambassador Wailes told Ala he }

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was authorized to sign the bilateral defense agreement provided Iran did not conclude the Soviet nonaggression pact, but he agreed to submit this question to Washington.

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III. THE WEST

OK Austria: A concerted effort by official and nonofficial Austrian elements to persuade the cabinet to ban the Communist-front World Youth Festival scheduled for Vienna in late July has apparently failed. Since there is strong public opposition to the festival and since it is being actively boycotted by all non-Communist youth groups, there is a growing possibility of extensive disturbances during the festival. [REDACTED] (Page 9)

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DAILY BRIEF

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I. THE COMMUNIST BLOC

USSR Preparing Record for Possible Breakoff at Geneva

The Soviet Foreign Ministry statement on 8 February demanding an unequivocal Anglo-American response to Moscow's insistence on a permanent unconditional test-cease agreement, in combination with recent Soviet moves at Geneva, suggests that Moscow is preparing the record in anticipation of an early breakoff of negotiations. The statement's detailed criticisms of the Western position on the key issues of duration of the treaty and voting procedures in the control commission were designed to present the USSR's stand in the most favorable light.

On 6 February chief Soviet delegate Tsarapkin said the conference was deadlocked and warned that the delegates may part "in a few days" without being able to submit a report to their governments because the Western powers have failed to present their full position. Tsarapkin criticized the "piecemeal" methods used by the United States and Britain in introducing their draft articles.

Other recent Soviet statements also suggest that the USSR is preparing its position for a breakoff. On 22 January Moscow charged officially that failure to reach agreement on the duration question was not only blocking progress of the negotiations but was making the talks "senseless." On 30 January, after introducing a draft article which would give veto rights to the three nuclear powers on the control commission, Tsarapkin criticized the US and Britain for withholding their "long-promised" proposal on duration. Then, in an unusual move which suggested preparation for a showdown, he summarized for the record the USSR's over-all position at the talks. Tsarapkin charged on 5 February that a recent State Department press release criticizing Soviet insistence on veto rights had distorted the Soviet position and had prepared the ground for a conference break.

On the same day, Khrushchev warned in his final speech to the 21st party congress that the USSR would "never agree" to allowing

the Western powers, under cover of inspection to violate the sovereignty of the USSR. He charged that the United States and Britain apparently intend to "drag things out" at Geneva while they prepare public opinion for disruption of the negotiations.

As a final move before a breakoff, the Soviet delegate may propose that the nuclear-test issue be discussed at any future high-level East-West conference.

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Soviet Union and Communist China Sign New Economic Agreement

Premiers Khrushchev and Chou En-lai on 7 February signed an agreement under which the Soviet Union will supply China with 78 heavy industrial enterprises worth five billion rubles (\$1.25 billion at the official rate, which overvalues the ruble). These enterprises will include chemical, coal, oil, and metallurgical plants as well as electric-power plants.

China will pay for these projects with exports, just as it is paying for at least 156 "aid" projects--worth more than \$2 billion--the Soviet Union is already helping to construct. Most of the original projects are either finished or under construction, and Peiping and Moscow probably agree that China's economy is ready for another large injection of Soviet assistance to further its Second Five-Year Plan (1958-62).

Although considerations of military aid and political support give sufficient cause for the Chinese backdown on ideological claims, Moscow may have used the issue of economic aid as another lever to hasten Peiping's retreat. The Chinese Communists have recently been effusive in their praise of the USSR as a model for economic development, and on 6 February Foreign Minister Chen Yi said that Soviet technical specialists brought valuable "political" as well as economic and scientific knowledge at a time when they were badly needed at home to help with the Soviet Seven-Year Plan.

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Tito's Middle East Tour to Add Fuel to Bloc-Yugoslav Dispute

The decision to extend considerably Tito's forthcoming visit to the UAR late this month and to add Greece to his itinerary will probably result in a further intensification of his current dispute with the bloc. Tito will probably be Nasir's guest at the 21 February celebrations in Damascus on the first anniversary of the founding of the UAR. Such a show of unity at this time is likely to cause more concern in Moscow than was the case last summer when the two met in Yugoslavia on the eve of the Iraqi revolution. The Soviet Union has charged that Tito has been instrumental in promoting current differences between Cairo and Moscow.

Tito's visit to Greece in March is cited as being unofficial, but the present rapport between Belgrade and Athens makes official talks likely. Should the current talks between the Greeks and Turks on the subject of Cyprus prove successful, the Balkan Pact will probably be discussed during Tito's stay in Greece. Athens has recently indicated a desire to strengthen the pact--which Khrushchev attacked in his speech to the 21st party congress--if the Cyprus issue is settled. The Yugoslavs have repeatedly expressed a desire to get the pact "back on the track"--to them it is an important manifestation of active coexistence--and they should be receptive to any Greek initiative.

Belgrade has responded sharply to attacks on Yugoslavia in Khrushchev's closing speech and in the Soviet party congress resolution, calling them "rude interference in the internal affairs of Yugoslavia." Moreover, Soviet presidium member Mukhitdinov's criticism of Belgrade's policy of friendship with Afro-Asian countries was labeled by a Yugoslav Foreign Secretariat spokesman as "uncalled-for and impermissible interference with Yugoslav foreign relations." The Yugoslav ambassador in Moscow told Ambassador Thompson on 5 February that it now was clear the dispute "had never been ideological, but was a question of Yugoslav independence."

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III. THE WEST

Austrian Cabinet Declines Bid to Ban Communist-Front World Youth Festival

A concerted effort to persuade the Austrian Government to withdraw its permission for the Communist-front World Youth Festival to convene in Vienna next July apparently has failed.

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[REDACTED] The only remaining possibility of preventing the Vienna meeting is to maneuver the preparatory committee itself into withdrawing.

It seems certain that the festival, which is expected to draw some 30,000 participants, will raise embarrassing problems for Austrian neutrality. There is strong public opposition to the meeting, and all of Austria's non-Communist youth groups are committed to countermeasures of one kind or another. Outside support for these groups and the large refugee population resident in Austria pose the danger of demonstrations and disturbances.

Chancellor Raab and other Austrian leaders who decided last year in favor of authorizing the festival were influenced both by monetary considerations and by the belief that exposure of Communist participants to Western influences would be desirable. The authorization was also in keeping with the appeasement tendencies evident in Vienna's foreign policy last year, however, and the government may fear that a ban at this late hour might provoke a sharp Soviet reaction.

[REDACTED]

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